

**[DISCUSSION DRAFT]**

SEPTEMBER 29, 2003

1                   **TITLE IV—COAL**  
2           **Subtitle A—Clean Coal Power**  
3                   **Initiative**

4   **SEC. 401. AUTHORIZATION OF APPROPRIATIONS.**

5           (a) CLEAN COAL POWER INITIATIVE.—There are au-  
6   thorized to be appropriated to the Secretary of Energy (re-  
7   ferred to in this title as the “Secretary”) to carry out the  
8   activities authorized by sections 401 through 404  
9   \$200,000,000 for each of fiscal years 2004 through 2012,  
10   to remain available until expended.

11          (b) REPORT.—The Secretary shall submit to the  
12   Committee on Energy and Commerce and the Committee  
13   on Science of the House of Representatives, and to the  
14   Senate, the report required by this subsection not later  
15   than March 31, 2005. The report shall include, with re-  
16   spect to subsection (a), a 10-year plan containing—

17               (1) a detailed assessment of whether the aggre-  
18               gate funding levels provided under subsection (a) are  
19               the appropriate funding levels for that program;

20               (2) a detailed description of how proposals will  
21               be solicited and evaluated, including a list of all ac-  
22               tivities expected to be undertaken;

1           (3) a detailed list of technical milestones for  
2       each coal and related technology that will be pur-  
3       sued; and

4           (4) a detailed description of how the program  
5       will avoid problems enumerated in General Account-  
6       ing Office reports on the Clean Coal Technology  
7       Program, including problems that have resulted in  
8       unspent funds and projects that failed either finan-  
9       cially or scientifically.

10 **SEC. 402. PROJECT CRITERIA.**

11       (a) IN GENERAL.—The Secretary shall not provide  
12       funding under this subtitle for any project that does not  
13       advance efficiency, environmental performance, and cost  
14       competitiveness well beyond the level of technologies that  
15       are in commercial service or have been demonstrated on  
16       a scale that the Secretary determines is sufficient to dem-  
17       onstrate that commercial service is viable as of the date  
18       of enactment of this Act.

19       (b) TECHNICAL CRITERIA FOR CLEAN COAL POWER  
20       INITIATIVE.—

21           (1) GASIFICATION PROJECTS.—

22               (A) IN GENERAL.—In allocating the funds  
23       made available under section 401(a), the Sec-  
24       retary shall ensure that at least 60 percent of  
25       the funds are used only for projects on coal-

1 based gasification technologies, including gasifi-  
2 cation combined cycle, gasification fuel cells,  
3 gasification coproduction, and hybrid gasifi-  
4 cation/combustion.

5 (B) TECHNICAL MILESTONES.—The Sec-  
6 retary shall periodically set technical milestones  
7 specifying the emission and thermal efficiency  
8 levels that coal gasification projects under this  
9 subtitle shall be designed, and reasonably ex-  
10 pected, to achieve. The technical milestones  
11 shall become more restrictive during the life of  
12 the program. The Secretary shall set the peri-  
13 odic milestones so as to achieve by 2020 coal  
14 gasification projects able—

15 (i) to remove 99 percent of sulfur di-  
16 oxide;

17 (ii) to emit not more than .05 lbs of  
18 NO<sub>x</sub> per million Btu;

19 (iii) to achieve substantial reductions  
20 in mercury emissions; and

21 (iv) to achieve a thermal efficiency  
22 of—

23 (I) 60 percent for coal of more  
24 than 9,000 Btu;

- 1 (II) 59 percent for coal of 7,000  
2 to 9,000 Btu; and  
3 (III) 50 percent for coal of less  
4 than 7,000 Btu.

5 (2) OTHER PROJECTS.—The Secretary shall pe-  
6 riodically set technical milestones and ensure that up  
7 to 40 percent of the funds are used for projects not  
8 described in paragraph (1). The Secretary shall peri-  
9 odically set technical milestones for projects not de-  
10 scribed in paragraph (1). The milestones shall speci-  
11 fy the emission and thermal efficiency levels that  
12 projects funded under this paragraph shall be de-  
13 signed to and reasonably expected to achieve. The  
14 technical milestones shall become more restrictive  
15 during the life of the program. The Secretary shall  
16 set the periodic milestones so as to achieve by 2010  
17 projects able—

- 18 (A) to remove 97 percent of sulfur dioxide;  
19 (B) to emit no more than .08 lbs of NO<sub>x</sub>  
20 per million Btu;  
21 (C) to achieve substantial reductions in  
22 mercury emissions; and  
23 (D) to achieve a thermal efficiency of—  
24 (i) 45 percent for coal of more than  
25 9,000 Btu;

1 (ii) 44 percent for coal of 7,000 to  
2 9,000 Btu; and

3 (iii) 40 percent for coal of less than  
4 7,000 Btu.

5 (3) CONSULTATION.—Before setting the tech-  
6 nical milestones under paragraphs (1)(B) and (2),  
7 the Secretary shall consult with the Administrator of  
8 the Environmental Protection Agency and interested  
9 entities, including coal producers, industries using  
10 coal, organizations to promote coal or advanced coal  
11 technologies, environmental organizations, and orga-  
12 nizations representing workers.

13 (4) EXISTING UNITS.—In the case of projects  
14 at units in existence on the date of enactment of this  
15 Act, in lieu of the thermal efficiency requirements  
16 set forth in paragraph (1)(B)(iv) and (2)(D), the  
17 milestones shall be designed to achieve an overall  
18 thermal design efficiency improvement, compared to  
19 the efficiency of the unit as operated, of not less  
20 than—

21 (A) 7 percent for coal of more than 9,000  
22 Btu;

23 (B) 6 percent for coal of 7,000 to 9,000  
24 Btu; or

1 (C) 4 percent for coal of less than 7,000  
2 Btu.

3 (5) PERMITTED USES.—In carrying out this  
4 subtitle, the Secretary may fund projects that in-  
5 clude, as part of the project, the separation and cap-  
6 ture of carbon dioxide.

7 (c) FINANCIAL CRITERIA.—The Secretary shall not  
8 provide a funding award under this subtitle unless the re-  
9 cipient documents to the satisfaction of the Secretary  
10 that—

11 (1) the award recipient is financially viable  
12 without the receipt of additional Federal funding;

13 (2) the recipient will provide sufficient informa-  
14 tion to the Secretary to enable the Secretary to en-  
15 sure that the award funds are spent efficiently and  
16 effectively; and

17 (3) a market exists for the technology being  
18 demonstrated or applied, as evidenced by statements  
19 of interest in writing from potential purchasers of  
20 the technology.

21 (d) FINANCIAL ASSISTANCE.—The Secretary shall  
22 provide financial assistance to projects that meet the re-  
23 quirements of subsections (a), (b), and (c) and are likely  
24 to—

1           (1) achieve overall cost reductions in the utiliza-  
2           tion of coal to generate useful forms of energy;

3           (2) improve the competitiveness of coal among  
4           various forms of energy in order to maintain a diver-  
5           sity of fuel choices in the United States to meet elec-  
6           tricity generation requirements; and

7           (3) demonstrate methods and equipment that  
8           are applicable to 25 percent of the electricity gener-  
9           ating facilities, using various types of coal, that use  
10          coal as the primary feedstock as of the date of en-  
11          actment of this Act.

12          (e) FEDERAL SHARE.—The Federal share of the cost  
13          of a coal or related technology project funded by the Sec-  
14          retary under sections 401 through 404 shall not exceed  
15          50 percent.

16          (f) APPLICABILITY.—No technology, or level of emis-  
17          sion reduction, shall be treated as adequately dem-  
18          onstrated for purposes of section 111 of the Clean Air Act  
19          (42 U.S.C. 7411), achievable for purposes of section 169  
20          of that Act (42 U.S.C. 7479), or achievable in practice  
21          for purposes of section 171 of that Act (42 U.S.C. 7501)  
22          solely by reason of the use of such technology, or the  
23          achievement of such emission reduction, by 1 or more fa-  
24          cilities receiving assistance under this subtitle.

1 **SEC. 403. REPORT.**

2 Not later than 1 year after the date of enactment  
3 of this Act, and once every 2 years thereafter through  
4 2011, the Secretary, in consultation with other appro-  
5 priate Federal agencies, shall submit to the Committee on  
6 Energy and Commerce and the Committee on Science of  
7 the House of Representatives, and to the Senate, a report  
8 describing—

9 (1) the technical milestones set forth in section  
10 402 and how those milestones ensure progress to-  
11 ward meeting the requirements of subsections  
12 (b)(1)(B) and (b)(2) of section 402; and

13 (2) the status of projects funded under this  
14 subtitle.

15 **SEC. 404. CLEAN COAL CENTERS OF EXCELLENCE.**

16 As part of the program authorized in section 401,  
17 the Secretary shall award competitive, merit-based grants  
18 to universities for the establishment of Centers of Excel-  
19 lence for Energy Systems of the Future. The Secretary  
20 shall provide grants to universities that show the greatest  
21 potential for advancing new clean coal technologies.

22 **SEC. 405. COAL TECHNOLOGY LOAN.**

23 There are authorized to be appropriated to the Sec-  
24 retary \$125,000,000 to provide a loan to the owner of the  
25 experimental plant constructed under United States De-  
26 partment of Energy cooperative agreement number DE—



1 FC-22-91PC90544 on such terms and conditions as the  
2 Secretary determines, including interest rates and upfront  
3 payments.

4 **SEC. 406. COAL GASIFICATION.**

5 The Secretary is authorized to provide loan guaran-  
6 tees for a project to produce energy from a plant using  
7 integrated gasification combined cycle technology of at  
8 least 400 megawatts in capacity that produces power at  
9 competitive rates in deregulated energy generation mar-  
10 kets and that does not receive any subsidy (direct or indi-  
11 rect) from ratepayers.

12 **SEC. 407. INTEGRATED GASIFICATION COMBINED CYCLE**  
13 **TECHNOLOGY.**

14 The Secretary is authorized to provide loan guaran-  
15 tees for a project to produce energy from a plant using  
16 integrated gasification combined cycle technology located  
17 in a taconite-producing region of the United States that  
18 is entitled under the law of the State in which the plant  
19 is located to enter into a long-term contract to sell at least  
20 450 megawatts of output to a utility.

21 **SEC. 408. PETROLEUM COKE GASIFICATION.**

22 The Secretary is authorized to provide loan guaran-  
23 tees for at least 1 petroleum coke gasification  
24 polygeneration project.

1       **Subtitle B—Federal Coal Leases**

2       **SEC. 421. REPEAL OF THE 160-ACRE LIMITATION FOR COAL**  
3                   **LEASES.**

4           Section 3 of the Mineral Leasing Act (30 U.S.C. 203)  
5   is amended—

6           (1) in the first sentence—

7                   (A) by striking “Any person” and inserting  
8                   “(a) Any person”;

9                   (B) by inserting a comma after “may”;  
10           and

11                   (C) by striking “upon” and all that follows  
12           through the period and inserting the following:  
13           “upon a finding by the Secretary that the  
14           lease—

15                   “(1) would be in the interest of the United  
16           States;

17                   “(2) would not displace a competitive interest  
18           in the land; and

19                   “(3) would not include land or deposits that can  
20           be developed as part of another potential or existing  
21           operation;

22   secure modifications of the original coal lease by including  
23   additional coal land or coal deposits contiguous or cor-  
24   nering to those embraced in the lease, but in no event shall  
25   the total area added by any modifications to an existing

1 coal lease exceed 1280 acres, or add acreage larger than  
2 the acreage in the original lease.”;

3 (2) in the second sentence, by striking “The  
4 Secretary” and inserting the following:  
5 “(b) The Secretary”; and

6 (3) in the third sentence, by striking “The min-  
7 imum” and inserting the following:  
8 “(c) The minimum”.

9 **SEC. 422. MINING PLANS.**

10 Section 2(d)(2) of the Mineral Leasing Act (30  
11 U.S.C. 202a(2)) is amended—

12 (1) by inserting “(A)” after “(2)”; and

13 (2) by adding at the end the following:

14 “(B) The Secretary may establish a period of more  
15 than 40 years if the Secretary determines that the longer  
16 period—

17 “(i) will ensure the maximum economic recovery  
18 of a coal deposit; or

19 “(ii) the longer period is in the interest of the  
20 orderly, efficient, or economic development of a coal  
21 resource.”.

22 **SEC. 423. PAYMENT OF ADVANCE ROYALTIES UNDER COAL**  
23 **LEASES.**

24 Section 7(b) of the Mineral Leasing Act (30 U.S.C.  
25 207(b)) is amended to read as follows:

1 “(b)(1) Each lease shall be subjected to the condition  
2 of diligent development and continued operation of the  
3 mine or mines, except in a case in which operations under  
4 the lease are interrupted by strikes, the elements, or cas-  
5 ualties not attributable to the lessee.

6 “(2)(A) The Secretary of the Interior may suspend  
7 the condition of continued operation upon the payment of  
8 advance royalties, if the Secretary determines that the  
9 public interest will be served by the suspension.

10 “(B) Advance royalties required under subparagraph  
11 (A) shall be computed based on—

12 “(i) the average price for coal sold in the spot  
13 market from the same region during the last month  
14 of each applicable continued operation year; or

15 “(ii) by using other methods established by the  
16 Secretary of the Interior to capture the commercial  
17 value of coal.

18 “(C) The aggregate number of years during the ini-  
19 tial and any extended term of any lease for which advance  
20 royalties may be accepted in lieu of the condition of contin-  
21 ued operation shall not exceed 20.

22 “(3) The amount of any production royalty paid for  
23 any year shall be reduced (but not below 0) by the amount  
24 of any advance royalties paid under the lease, to the extent

1 that the advance royalties have not been used to reduce  
2 production royalties for a prior year.

3 “(4) The Secretary may, upon 6 months’ notice to  
4 a lessee, cease to accept advance royalties in lieu of the  
5 requirement of continued operation.

6 “(5) Nothing in this subsection affects the require-  
7 ment contained in the second sentence of subsection (a)  
8 relating to commencement of production at the end of 10  
9 years.”.

10 **SEC. 424. ELIMINATION OF DEADLINE FOR SUBMISSION OF**  
11 **COAL LEASE OPERATION AND RECLAMATION**  
12 **PLAN.**

13 Section 7(c) of the Mineral Leasing Act (30 U.S.C.  
14 207(c)) is amended in the first sentence by striking “and  
15 not later than three years after a lease is issued,”.

16 **SEC. 425. AMENDMENT RELATING TO FINANCIAL ASSUR-**  
17 **ANCES WITH RESPECT TO BONUS BIDS.**

18 Section 2(a) of the Mineral Leasing Act (30 U.S.C.  
19 201(a)) is amended by adding at the end the following:

20 “(4) The Secretary shall not require a surety bond  
21 or any other financial assurance to guarantee payment of  
22 deferred bonus bid installments with respect to any coal  
23 lease issues on a cash bonus bid to a lessee or successor  
24 in interest having a history of a timely payment of noncon-  
25 tested coal royalties and advanced coal royalties in lieu

1 of production (where applicable) and bonus bid installment  
2 payments.

3 “(5) Notwithstanding any other provision of law, if  
4 the lessee under a coal lease fails to pay any installment  
5 of a deferred cash bonus bid within 10 days after the Sec-  
6 retary provides written notice that payment of the install-  
7 ment is past due—

8 “(A) the lease shall automatically terminate;  
9 and

10 “(B) any bonus payments already made to the  
11 United States with respect to the lease shall not be  
12 returned to the lessee or credited in any future lease  
13 sale.”.

14 **SEC. 426. INVENTORY REQUIREMENT.**

15 (a) REVIEW OF ASSESSMENTS.—

16 (1) IN GENERAL.—The Secretary of the Inte-  
17 rior, in consultation with the Secretary of Agri-  
18 culture and the Secretary of Energy, shall review  
19 coal assessments and other available data to  
20 identify—

21 (A) public lands, other than National Park  
22 lands, with coal resources;

23 (B) the extent and nature of any restric-  
24 tions or impediments to the development of coal

1 resources on public lands identified under para-  
2 graph (1); and

3 (C) with respect to areas of such lands for  
4 which sufficient data exists, resources of com-  
5 pliant coal and supercompliant coal.

6 (2) DEFINITIONS.—In this subsection:

7 (A) COMPLIANT COAL.—The term “compli-  
8 ant coal” means coal that contains not less  
9 than 1.0 and not more than 1.2 pounds of sul-  
10 fur dioxide per million Btu.

11 (B) SUPERCOMPLIANT COAL.—The term  
12 “supercompliant coal” means coal that contains  
13 less than 1.0 pounds of sulfur dioxide per mil-  
14 lion Btu.

15 (b) COMPLETION AND UPDATING OF THE INVEN-  
16 TORY.—The Secretary—

17 (1) shall complete the inventory under sub-  
18 section (a)(1) by not later than 2 years after the  
19 date of the enactment of this Act; and

20 (2) shall update the inventory as the availability  
21 of data and developments in technology warrant.

22 (c) REPORT.—The Secretary shall submit to the  
23 Committee on Resources of the House of Representatives  
24 and the Committee on Energy and Natural Resources of  
25 the Senate, and make publicly available—

1           (1) a report containing the inventory under this  
2           section by not later than 2 years after the effective  
3           date of this section; and

4           (2) each update of that inventory.

5   **SEC. 427. APPLICATION OF AMENDMENTS.**

6           The amendments made by this subtitle apply—

7           (1) with respect to any coal lease issued on or  
8           after the date of enactment of this Act; and

9           (2) with respect to any coal lease issued before  
10          the date of enactment of this Act, upon the earlier  
11          of—

12                   (A) the date of readjustment of the lease  
13                   as provided for by section 7(a) of the Mineral  
14                   Leasing Act (30 U.S.C. 207(a)); or

15                   (B) the date the lessee requests such appli-  
16          cation.